DOCUMENT RESUME

ED 289 391 HE 020 849

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TITLE Early Retirement: A Survey of Corporate and University Benefits.
INSTITUTION Eastern Washington Univ., Cheney.
PUB DATE [87]
NOTE 16p.
PUB TYPE Reports - Research/Technical (143)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *College Faculty; *Early Retirement; Fringe Benefits; Higher Education; *Industry; *Retirement Benefits; Surveys; Teacher Employment Benefits

ABSTRACT

While corporations have been offering early retirement to their employees for a number of years, universities and colleges have only recently used such programs to create change. This survey was conducted to determine how professors are faring as relative newcomers to early retirement programs. Questionnaires were mailed to 159 colleges and universities and 100 corporations, with response rates of 69.2% and 72% respectively. Tabulations are provided on responses to 14 questions concerning early retirement program attributes, benefits, and options, including counseling and financial planning services. Results show that professors are faring as well as or better than their corporate counterparts on virtually all measures, and are offered significantly more opportunities for phased or gradual retirement. (Author/KM)

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EARLY RETIREMENT: A SURVEY OF CORPORATE AND UNIVERSITY BENEFITS

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EARLY RETIREMENT: A SURVEY OF CORPORATE AND UNIVERSITY BENEFITS

ABSTRACT

While corporations have been offering early retirement to their employees for a number of years, universities and colleges have only recently used early retirement programs to create change. As relative new-comers to early retirement programs, how are professors faring? The Eastern Washington University Department of Education recently surveyed 159 colleges and universities as well as 100 corporations to answer that question. Our survey shows that professors are faring at least as well as their corporate counterparts, and are offered significantly more opportunities for phased or gradual retirement. This report details the survey and results.

EARLY RETIREMENT: A SURVEY OF CORPORATE AND UNIVERSITY BENEFITS

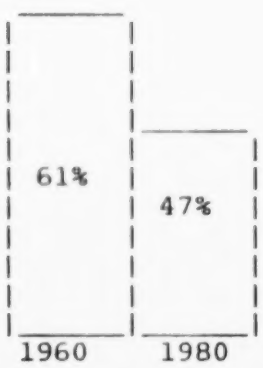
While early retirement, or retirement before the age of 65, has represented a significant trend among older workers for nearly three decades (Rhine, 1980), only recently have universities offered early retirement as an option to professors. Since 1982, when universities and colleges lost an exemption that allowed them to retire professors at the mandatory age of 70, some 25 to 30 percent of the nation's institutions of higher education have begun to offer early retirement to their teaching and non-teaching staffs, according to an estimate by the Commission on College Retirement (Watkins, 1985).

In the interest of learning more about early retirement programs offered by institutions of higher education, the Eastern Washington University Department of Education conducted a survey among 159 colleges and universities in late 1985. In addition, the department mailed a similar questionnaire to the benefit directors of 100 corporations. The survey was designed to ascertain the types of retirement options offered to corporate and university employees. We then hoped to contrast academic retirement plans with those of corporations. This paper presents a summary of survey findings.

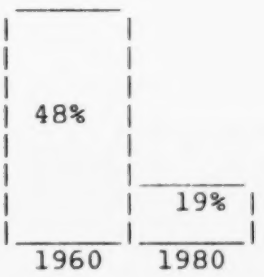
History

Retirement itself is a phenomenon of the 20th Century. Prior to 1935 and the passage of the Social Security Act, . . . "Employees retired when they were told to or worked until they were unable. Many died while working . . ." (Walker, p. 5). In the 50 years since the advent of social security corporations and government agencies have established retirement pension plans which have also grown enormously in number and size (Drucker, 1976). These dual support systems, Social Security and private pension plans, have led to a marked increase in the number of retired individuals, both under and over the age of 65. Shirley Rhine states: "The decline in the labor force participation rates of older men has been one of the outstanding demographic developments since World War II, perhaps rivaling the spectacular growth of both the female labor force and the number of college graduates."

Males, 55 or over, in the labor force



Males, 65 or over, in the labor force



Source: America's Aging Population by Shirley Rhine

Ironically, passage of the 1978 Amendments to the Age Discrimination in Employment Act, legislation which erased mandatory retirement, may have spurred the creation of early retirement programs in public and private organizations. Such programs, notes Watkins in The Chronicle of Higher Education, are meeting the immediate needs of colleges and universities because "they enable administrators to hire younger faculty members, who may bring new ideas and teaching techniques to the campus and, possibly, save the institution money."

Corporations are also using early retirement programs to contain costs. In recent years, corporate giants like IBM, AT&T, Xerox, R.J. Reynolds and du Pont have offered early retirement to thousands of employees. This year, for example, RJR Nabisco, Inc., offered early retirement to 2,800 hourly workers. According to a Wall Street Journal report, the offer's aim was "to increase (Reynolds Tobacco's) operating efficiencies and strengthen its competitive position." In 1986, Xerox offered early retirement to 4,000 of its 60,000 employees at an estimated overall savings of $50 million. Similarly, in 1985 the E.I. du Pont company offered an early retirement program that was unexpectedly accepted by 11,500 of its 121,000 domestic employees. Although the program cost $125 million, company officials estimated that du Pont would cross the break-even point before the end of the plan's first year, actually saving $230 million in the long run (Nicholson, 1985).

Early retirement programs are also popular with employees. In The End of Mandatory Retirement (1978), James Walker and Harriet Lazar cite a 1976 study in which 40 percent of working family heads, aged 35 to 63, said they planned to retire before the age of 65. In the same study, twenty-five percent between the ages of 35 and 59 said they planned to retire before the age of 62. Research conducted in 1981 by the American Management Associations (Jud, p. 20) found that 30 percent of the surveyed managers under the age of 40 planned to retire before 62, and another 26 percent planned to retire between the ages of 62 and 65. Only nine percent or less of the surveyed managers planned to continue working beyond the age of 70. Frances C. Volkman, dean of the faculty at Smith College, reports that 46 percent of Smith's eligible professors have chosen early retirement since the inception of that school's program (Watkins, 1985).

The lure of early retirement is visible even to its detractors. Peter Drucker, who roundly criticizes the long-term economic effects of early retirement programs, admits in his 1978 book, The Unseen Revolution, ". . . early retirement provisions that enable aging people to choose between working longer and receiving lower retirement pay at an earlier age are highly desirable. They represent a substantial increase in human freedom."

Despite fears expressed by Drucker and others that the ratio of productive workers to non-workers will eventually bankrupt the economy, (Drucker, p. 55), early retirement, for the time being, is offering corporations, universities and employees a welcome

alternative to the practices of the past. If the trend of the past thirty years continues, the United States will find more of its workers and educators retiring prior to the age of 65.

As relative new-comers to early retirement, how are professors faring? This is the question our survey set out to answer.

The Survey

Of the 159 questionnaires mailed to universities or colleges, 110 were returned and filled out, for a 69.2% return rate. Of the 100 questionnaires mailed to corporations, 72 were returned, for a 72% return rate.

The survey instrument consisted of twenty-eight questions about various aspects of each respondent's retirement and early retirement programs. For the purposes of this summary, those twenty-eight questions have been reduced to the fourteen which offered truly comparable data. Other responses have been eliminated because they yielded statistical tables of little interest to general readers. Not all respondents answered all questions, so replies do not always total 100 percent.

Results

Question #1: Does your institution/company offer pre-retirement counseling for prospective retirees?

Universities:	Yes	96.4%	Corporations:	Yes	81.9%
	No	2.7%		No	1.4%

Question #1a: Does the counseling include information on:

	Universities	Corporations
	(Percentage of total respondents answering "yes")	
Company retirement options	94.5%	77.8%
Expected retirement incomes	89.1%	79.2%
Retirement seminars	77.3%	61.1%

Questions #2: Do you provide financial planning for a prospective retiree at:

	Universities	Corporations
	(Percentage of total respondents answering "yes")	
Local Bank Trust Office	1%	0%
Financial Planning Center	0%	0%
Workplace	9%	6.9%
Retirement Seminar	11.8%	4.1%

Questions #3: Does your company/institution offer a phased retirement program?

Universities:	Yes	50%	Corporations:	Yes	1.4%
	No	50%		No	98.6%

Question #3a (universities only): Does your phased retirement program allow a participant:

	Yes	
Reduced teaching load	74.5%	of those with phased retirement
Lowered student advisement	69.0%	" "
Freedom from committee assignments	63.6%	" "

Others: appointment at a reduced percentage of time with appropriate reduction in all responsibilities, less expectation regarding the production of new research, and full service credit toward retirement even though time loss is at a reduced level (one answer each.)

Question #3b (universities only): Does your phased retirement program remove:

	Yes	
Entitlement to ordinary rank	34.5%	of those with phased retirement
Professional development steps	29.0%	" "
Merit pay options	26.4%	" "
Membership on committees	25.4%	" "

Others: Eligibility for sabbatical leave removed (one answer).

Question #3c: Does your institution/company offer the following benefits to early retirees?

	Universities	Corporations
Free parking	42.7%	18.0%
Paid education tuition	35.5%	5.0%
Family tuition	20.9%	1.4%
Bookstore discount	27.3%	1.4%
Free use of physical education facilities	52.7%	8.3%
Library facilities	80.9%	20.8%
Laboratory facilities	40.9%	0%
Free/discounted tickets (theater, musicals etc.)	50.9%	29.2%
Free computer usage	19.1%	0%
Free/discounted tickets (sports events)	50.0%	25.0%
Office Space	49.1%	2.8%
Sick Leave	1.8%	0%
Vacation accrual	0.9%	2.8%
Professional conferences	10.0%	1.4%

Question #4: Does your company/institution make available supplemental tax deferred annuities for those who wish to set aside funds for retirement over and above the amounts they are already accumulating under the institution's formal retirement plan?

Universities Yes 82.7% Corporations Yes 23.6%

Universities named 44 tax deferred annuity plans to which they subscribed, with TIAA-CREF being named by 77 different respondents (70%). Corporations named 10 plans, with no plan named by more than three respondents.

Question #5: Does your company/institution award a stipend to early retiring employees or faculty members?

Universities	Yes	18.2%	Corporations	Yes 15.3%
	No	73.6%		No 79.2%
	Sometimes	2.7%		Sometimes 2.8%

Question #6: If a person accepts early retirement, does your company continue to make contributions to the retiree's retirement/annuity fund?

Universities	Yes	5.4%	Corporations	Yes 9.7%
	No	81.8%		No 84.7%

Question #7: Does your company offer any type of supplemental annuity that the company contributes to which increases an early retiree's retirement income?

Universities	Yes	9.0%	Corporations	Yes	8.3%
	No	82.7%		No	88.9%

Questions #8: If a retiree accepts early retirement, can he/she be retained in a part-time position to supplement early retirement benefits until the mandatory retirement age?

Universities	Yes	73.6%	Corporations	Yes	22.2%
	No	13.6%		No	75.0%

Question #8a: If yes, what is the upper limit on compensated employment?

Universities: Twenty-seven separate replies were given. The largest number, 28, responded that the upper limit was 50 percent or less (34.6% of those answering yes). Seven respondents (8.6% of those answering yes) said there was no limit to compensated employment.

Corporations: Seven separate replies were given, with none being named by more than two respondents. Answers ranged from "none" to "100 percent."

Question #9 At what age may an employee elect early retirement?

	Universities	Corporations
Age 50	7.3%	8.3%
Age 55	43.6%	79.1%
Age 58	2.7%	Not indicated
Age 58 + 30 service	Not indicated	1.4%
Age 60	17.3%	Not indicated
Age 62	5.4%	Not indicated
Age + service = 75	1.8%	1.4%

Several additional miscellaneous answers were given by individual respondents.

Question #10: How many years of service must a person accumulate to elect early retirement?

	Universities	Corporations
None Specified	9.0%	9.7%
Ten	25.4%	43.0%
Twenty	5.4%	5.5%
Twenty-five	5.4%	1.4%
Thirty	2.7%	Not indicated

Question #11: (Universities) What percentage of the faculty elect early retirement?

A scattering of answers was received. The most numerous responses were: "Less than one percent," 13.6%; "Less than five percent," 9.0%; "a small percentage," 10.0%; and "Ten percent," 6.3%.

Question #11: (Corporations) What percentage of employees elect early retirement?

A scattering of answers was received. The most numerous were: "ninety percent," 12.5%; "Eighty percent," 11.1%; and "Seventy-five percent," 8.3%

Question #12: Are an early retiree's pension payments reduced if the retiree receive:

	Universities		Corporations	
	Yes	No	Yes	No
Other income pensions	1.8%	10.0%	4.2%	34.7%
Other annuities	0.0%	10.9%	4.2%	33.3%
Social Security	8.2%	7.3%	37.5%	20.8%
Other sources	5.5%	0.0%	4.2%	20.8%

Question #13: In recognition of the reduced Social Security benefit available to an early retiree before age 65, is an additional supplemental annual payment made to the early retiree to make up this difference?

Universities	Yes	10.9%	Corporations	Yes	18.1%
	No	74.5%		No	80.6%

Question #14: Are employees who accept early retirement provided an annuity at the mandatory retirement age equal to what they would have received had they worked to the mandatory retirement age?

Universities	Yes	0.9%	Corporations	Yes	4.2%
	No	81.8%		No	94.4%

Conclusions

Generally, university retirement plans appear to be approximately equal in benefits and options to those of corporations (Question 5, Q6, Q7, Q9, Q10, Q14). According to our respondents, universities are

more likely to offer their retiring employees supplemental tax deferred annuities (Q4) and pre-retirement counseling (Q1 and Q1a). Excepting Social Security payments, corporations appear less likely to reduce pension payments when the retiree receives other income (Q12), and more likely to provide a payment to early retirees to supplement reduced Social Security income (Q13).

One question in the survey yielded rather anomalous results (Q11). When asked the percentage of employees taking early retirement, the university respondents clearly indicated that very few were electing the program, while most corporate respondents indicated that a high percentage were electing early retirement. These results may be explained by the fact that early retirement programs are a new item on college and university campuses, but it should also be noted that anecdotal research does not confirm the finding. Early retirement appears to be much more popular among professors than our results indicate, and further research would seem appropriate.

Marked and substantiated differences do appear between universities and corporations, however, when questions concerning phased or gradual retirement are reviewed. While 50 percent of the responding colleges said they offered employees phased retirement, only 1.4% of the responding corporations had a similar program (Q3). Examples of university phased retirement options included reduced teaching loads, lower student advisory responsibilities, freedom from committee assignments, and others. For the most part, professors could enjoy these reduced work loads without losing their professional status, committee memberships or merit pay (Q3a and Q3b).

Universities also appear to offer early retirees the option of part-time work at a significantly higher level than corporations (Q8).

Also significant was the professors' continued ability to use university facilities and privileges (Q3c). Free parking, library privileges, computer use, office space and other "perks" associated with college and university life are generally accessible to professors who choose early retirement. Except for discounted tickets and the use of professional libraries, corporations offered few organizational amenities to their early retirees (one might argue that items such as physical education facilities, laboratories and book stores may not be available at all corporate worksites).

While the reasons behind a stronger emphasis on phased or gradual retirements are not within the real of this survey, one can reasonably speculate that universities value professors with long years of service for their consultative abilities, teaching experience and sense of institutional history. It also seems possible to assume that tenured professors have developed loyalties to their schools, students, fellow instructors and the university community. These connections may represent responsibilities which are difficult to break abruptly. Smith College's Volkman states: "The opportunity for a lighter teaching load and phased retirement while maintaining an important connection with the college community seems to be the most important benefit (of Smith's early retirement program)." (Watkins, 1985)

In the book Voices of Experience, an 81 year old retired professor explains his successful retirement this way: "I retired with several particular advantages: 1) A professional field in which I was able to continue on a part-time basis for 10 years beyond my official retirement -- sometimes for pay and sometimes gratis -- and, even after giving up all formal consultations and other professional activities, a continuing, though lessened, association with my former colleagues and organizations, which keeps me still knowledgeable in my field . . ." This man concludes: ". . . if possible, so arrange your career then you can continue part-time in your active field to avoid the shock of abrupt change from one way of life to another completely different one (Milletti, pp. 31, 32)."

Although senior executives may continue to offer consulting services to their former employers, it appears from this survey that most corporate employees sever their bonds with the company upon retirement, whether it comes before or after the age of 65. Professors, on the other hand, appear to resemble retiring generals, gradually "fading away" into fulltime retirement over a number of years. Since this approach is voluntary, offering retirees a dignified departure while they continue to serve the specific needs of the university, it appears that, in this regard, the academic community stands as a role model for the corporate world.

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